

# Endowment Transparency Act of 2023

*Sponsor: Congressman Emanuel Cleaver, II & Senator Cory Booker*

## Background

Asset management firms manage funds for investors, such as individuals, organizations, and institutions. Assets begin with investors and flow through professional asset managers before taking root in companies and projects, providing asset managers a critical role in influencing how capital is distributed throughout the economy. Despite this critical role, women- and minority-owned asset management firms currently control only 1.4% of the over \$82 trillion in managed assets in the United States compared to the 98.6% of assets controlled by firms owned by white men. Studies have shown that the performance of diverse-owned firms is not statistically different, and is in some cases better, than the broader industry. The lack of utilization of women and minority asset managers by individuals, organizations, and institutions is not explainable based on performance or availability.

One of the largest institutional investors in the United States are colleges and universities representing endowment assets that collectively total more than \$807 billion. Following a 2020 survey of college and university endowments, Congressman Cleaver released a report detailing the state of investments with diverse-owned firms. The report detailed significant variation in efforts of colleges and universities in providing opportunities for diverse-owned firms. While some institutions such as the University of California track and disclosed investments with women- and minority-owned firms, others did not appear to have ever adopted policies or practices to address potential biases in the selection of asset managers.

College and university endowments are subsidized by the federal government by way of tax exemption in accordance with Internal Revenue Code section 501(c)3. In return, those institutions spend endowment funds in accordance with the public interest and comply with numerous laws prohibiting discrimination in university operations. Non-discrimination laws are an extension of the federal governments interest in closing social and socioeconomic opportunity gaps and in remedying the effects of historic discrimination such as those seen in the financial services industry. Institutions that miss opportunities to work with high-performing diverse managers due to bias fail to provide fair opportunity and miss opportunity to generate returns and avoid the risk associated with concentrating investments in non-diverse firms.

## Summary

The Endowment Transparency Act of 2023 would bridge the gap between the performance, availability, and opportunity provided to diverse-owned asset management firms by:

- Amending the Higher Education Act of 1965 to require information about investments with women- and minority-owned firms to be included in other data annually collected from colleges and universities.

- Requiring the Minority Business Development Agency publish a report, to be updated every two years, recommending legislative changes and best practices for substantially increasing the use of women- and minority-owned firms in higher education investment and bond transactions.
- Authorizing a conference, every two years, which shall convene institutions of higher education, and investment advisors, firms, and consultants to develop professional networks and increase the visibility of business opportunities.

The Endowment Transparency Act of 2023 would support colleges and universities in achieving fair opportunity at all levels of institutional operations and society. Asset management firms wield tremendous influence over governance policies in the private sector and investments in diverse-owned firms serve to amplify the voice of women and minorities in the American economic system. Universities recognize the effects of historical discrimination and can more fully recognize their role as a solution.

### **Endorsements**

Diverse Asset Managers Initiative, National Association of Securities Professionals, National Urban League, Kapor Center, New America Alliance, U. S. Black Chambers, Inc., and Garcia Hamilton Associates, the largest Hispanic-owned firm in the country.